



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Approve California Statewide Communities Development Authority Vehicle License Fee Gap Loan Financing Program Application


MEETING DATE: January 5, 2005

PREPARED BY: City Clerk

RECOMMENDED ACTION: Approve California Statewide Communities Development Authority Vehicle License Fee Gap Loan Financing Program Application.

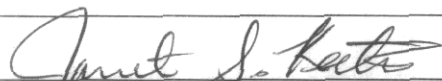
BACKGROUND INFORMATION: Background information regarding this item will be provided by the Finance Director at the January 5 meeting.

FUNDING: Unknown; information to be provided by the Finance Director.


Susan J. Blacksten
City Clerk

SJB/jmp

APPROVED:


Janet S. Keeter, Interim City Manager



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AGENDA TITLE: Approve California Statewide Communities Development Authority Vehicle License Fee Gap Loan Financing Program Application

MEETING DATE: January 5, 2005

PREPARED BY: Finance Director

RECOMMENDED ACTION: That the City Council approve an application for repayment of the Vehicle License Fees, which were taken from the City of Lodi by the State of California in fiscal year 2003-04, from the proceeds of a bond sale sponsored through the California Statewide Communities Development Authority and the League of California Cities.

BACKGROUND INFORMATION: Through the joint efforts of the California Statewide Communities Development Authority (CSCDA) and the League of California Cities, many cities in the State of California are participating in this program, which will pay the cities back the Vehicle License Fees taken by the State of California to help to balance its budget in fiscal year 2003-04.

The State of California is scheduled (in fiscal year 2006-07) to payback approximately \$1,020,000 in Vehicle License Fees to the City of Lodi. This receivable from the State of California has been recognized on the City of Lodi financial statements as of June 30, 2004. However, this bond sale affords the City of Lodi to take advantage of the early repayment of this loan of vehicle license fees to the State. The bond sale would end up yielding the City of Lodi approximately \$930,000 in this fiscal year. This means that the City will yield about 91% of the amount of the receivable at this time versus waiting for 18 months before receiving payment on this receivable. The discount factor appears to be reasonable and takes into account the financing costs (both interest and other legal expenses) associated with a bond sale of this kind. Since other cities are also participating in this program the costs are proportionately reduced due to the economies of scale (the total sale is anticipated to be about \$300 million). The proceeds may be used for any general purpose so long as the sale is done on a taxable basis (income taxes are paid by the bondholder on the interest earnings).

The bonds will be repaid directly by the State of California from the revenues that will be generated by the State of California in fiscal year 2006-07. These bonds and the correlative obligation for repayment do not extend to or commit the City of Lodi in any way. The bondholders must look to the State of California for full repayment of this debt.

City staff is working with the CSCDA and its staff on a Resolution for the approval of this sale. Pending your approval tonight for City staff to proceed with the application for this financing, there will be a Resolution brought before the City Council at the meeting on February 2, 2005, that formally approves the sale of the bonds and the terms associated with that sale.

APPROVED:

A handwritten signature in cursive script, reading "Janet S. Keeter".

Janet S. Keeter, Interim City Manager

FUNDING:

The receipt of these proceeds will not affect the structural imbalance. Since it is anticipated that the State of California will not be using Vehicle License Fees to balance its budget in the future, this revenue take away is truly a one-time (or short lived) issue versus a structural element of the City's budget. Therefore, this should not be viewed as affecting the structural imbalance favorably. Although the proceeds from this bond sale will benefit the General Fund this year, it will have no long term effect on the City's budget.


James R. Krueger, Finance Director